



~~CONFIDENTIAL~~
ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

March 20, 1981

INTERNATIONAL
SECURITY AFFAIRS

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Mr. Ezra Sadan, Director General of the Ministry of Finance, and Mr. Josef Maayan, Director General of the Ministry of Defense, Israel, 20 March 1981

(U) I met with Mr. Ezra Sadan, Director General of the Ministry of Finance, and Mr. Josef Maayan, Director General of the Ministry of Defense, Israel, on 20 March 1981.

(C) Sadan began his presentation by saying Israel can no longer afford to borrow to buy weapons. (Obviously, this was an overstatement for effect; he made no offer to give back Israel's FMS credits.) To deal with Israel's balance of payments problems, Israel needs to expand its ability to sell defense equipment and services to the US. In particular, Sadan sought to have established both a dollar target for Israeli sales to the US (he mentioned \$250M) and a DOD organizational set-up that would assist Israel's marketing effort. I said that we could make no commitments either as to establishing a target or as to a particular kind of organization but that we would look at each of these matters closely. I noted many of the NATO countries have raised similar issues and that it would cause us severe problems to favor Israel over either these countries or over our own industry. I said my people had told me that the Israelis often were not competitive with US suppliers. Sadan said Israel wanted no favors, only to compete on an even basis. He recognized that in some instances the Israelis might have lost out because they did not fully understand the nature of our procurement practices and that DOD assistance could avoid such unnecessary losses. I urged the Israelis both to establish marketing organizations in the United States and to team with US companies in order to increase their sales to DOD. They agreed that both of these points were sensible. General Graves will work with General Levy to analyze why the Israelis have not achieved the kind of sales they desire and what can be done to improve their marketing performance.

(C) I would expect that this issue will be raised at the highest levels by the Israelis since they are in very difficult economic shape. While I assured them that this Administration was committed to assisting Israel as much as possible, the proof of the pudding for them will be in the eating.

Franklin D. Kramer
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cc: DepSecDef
Dr. Ikle
Mr. West
Amb. Pelletreau
Lt. Gen Graves.

OSD review
completed

Classified by Acting ASD/ISA

Declassify on 20 March 1987

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